

Message Text

UNCLASSIFIED

PAGE 01 QUITO 03044 282353Z

65

ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

OES-06 IO-13 ERDA-07 /137 W
----- 047656

R 281257Z APR 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9915

INFO AMCONSUL GUAYAQUIL

UNCLAS QUITO 3044

E.O. 11652: N/A

TAGS: EINV, EC

SUBJECT: OPIC FY 1976 ANNUAL REPORT

REF: STATE 085733

1. FOLLOWING IS EMBASSY'S DRAFT AS REQUESTED:

2. ECUADOR

ALTHOUGH ECUADOR IS ONE OF THE SMALLER COUNTRIES OF SOUTH AMERICA, IT IS AMONG THE FASTEST-GROWING IN ITS GROSS NATIONAL PRODUCTS, STIMULATED LARGELY BY EARNINGS FROM ITS OIL EXPORTS WHICH BEGAN IN 1972. IN THE YEARS SINCE THERE HAS BEEN NOT ONLY GROWTH BUT DIVERSIFICATION OF THE COUNTRY'S INDUSTRIAL BASE. THE GOVERNMENT IS FORMULATING PLANS FOR LARGE-SCALE INVESTMENT PROJECTS, FOR WHICH LARGE AMOUNTS OF FOREIGN PRIVATE CAPITAL WILL BE REQUIRED. THE PRIVATE SECTOR AS WELL HAS AMBITIOUS PLANS FOR FURTHER GROWTH AND DIVERSIFICATION.

3. INVESTMENT POTENTIAL

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 QUITO 03044 282353Z

THE ANDEAN PACT HAS ASSIGNED TO ECUADOR LARGE-SCALE PROGRAMS

FOR THE DEVELOPMENT OF METALWORKING, AUTOMOTIVE AND PETRO-CHEMICAL INDUSTRIES, AND IN THE FUTURE IS EXPECTED TO MAKE OTHER POTENTIALLY SUBSTANTIAL ASSIGNMENTS IN SECTORS INCLUDING PAPER, GLASS, ELECTRONICS AND TELECOMMUNICATIONS.

4. UNDER CURRENT ECUADOREAN LAW, THE FOLLOWING SECTORS ARE RESERVED ENTIRELY FOR PUBLIC INVESTMENT: PETROLEUM REFINERIES; INTEGRATED STEEL MILLS; AMMONIA AND UREA PLANTS; AND FISHERIES. HOWEVER, IN VIEW OF THE HUGE NEEDS FOR CAPITAL FOR INVESTMENT IN PROJECTS IN THESE SECTORS, IT IS GENERALLY EXPECTED THAT THE GOVERNMENT WILL LIBERALIZE THE LEGISLATION SO AS TO PERMIT PARTICIPATION BY DOMESTIC AND FOREIGN INVESTORS.

5. SOME LIBERALIZATION IS ALSO EXPECTED IN THE CURRENT LAW WHICH RESERVES THE FOLLOWING SECTORS FOR "MIXED" ENTERPRISES ONLY, I.E., FOR ENTERPRISES IN WHICH THE GOVERNMENT HAS A MAJORITY PARTICIPATION: CEMENT; SHIPYARDS; WOOD AND PAPER; SLAUGHTERHOUSES AND RELATED REFRIGERATION FACILITIES; PASTEURIZING PLANTS; NITROCELLULOSE; CAUSTIC SODA AND CHLORINE; PETROCHEMICALS; TRACTORS; DIESEL MOTORS; WRENCHES AND CERTAIN OTHER TOOLS; MANUFACTURE AND GALVANIZATION OF WIRE; INSECTICIDES AND PESTICIDES; IRON SEWER PIPES; AND STEEL PIPES.

6. EVEN IF THE CURRENT LIMITS ON PRIVATE PARTICIPATION IN THE ABOVE-MENTIONED SECTORS ARE RETAINED, THERE ARE EXPECTED TO BE CONSIDERABLE OPPORTUNITIES FOR EXPANDING FOREIGN PRIVATE INVESTMENT IN THOSE SECTORS IN COMING YEARS, AS WELL AS IN NUMEROUS SECTORS ON WHICH THERE ARE NO RESTRAINTS REGARDING PRIVATE INVESTMENT, SUCH AS TOURISM INDUSTRIES.

7. INVESTMENT INCENTIVES
AS ONE OF THE RELATIVELY POORER MEMBERS OF THE ANDEAN PACT, ECUADOR HAS BEEN GRANTED SEVERAL SPECIAL CONCESSIONS UNDER THE PACT, PERMITTING IT TO OFFER HIGHER AND MORE PROTRACTED LEVELS OF IMPORT PROTECTION FOR NEW OR FLEDGLING INDUSTRIES.

8. MOREOVER, IN ORDER TO ENCOURAGE INVESTMENT IN CERTAIN
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 QUITO 03044 282353Z

INDUSTRIES AND IN THE LESS INDUSTRIALIZED REGIONS OF THE COUNTRY, THE GOVERNMENT ALSO OFFERS INDUCEMENTS IN THE FORM OF EXEMPTIONS FROM IMPORT DUTIES ON RAW MATERIALS, ON MACHINERY AND EQUIPMENT AND ON OTHER ITEMS REQUIRED FOR INVESTMENT PROJECTS. THESE EXEMPTIONS VARY IN DEGREE ACCORDING TO THE NATURE AND LOCATION OF THE INVESTMENT PROJECT.

9. THE GOVERNMENT ALSO OFFERS VARIOUS TAX EXEMPTIONS AND

OTHER TAX BENEFITS FOR CERTAIN PROJECTS, WITH THESE BENEFITS ALSO DEPENDING ON THE NATURE AND LOCATION OF THE RESPECTIVE PROJECTS.

10. ALSO BENEFITING FOREIGN INVESTMENTS IN ECUADOR IS THE FACT THAT THE ECUADOREAN CURRENCY, THE SUCRE, HAS FOR MANY YEARS BEEN CATEGORIZED BY THE INTERNATIONAL MONETARY FUND AS A "HARD" CURRENCY, WITH ITS VALUE NORMALLY VARYING ONLY SLIGHTLY IN TERMS OF THE U.S. DOLLAR.

11. THE GOVERNMENT HAS ESTABLISHED A NUMBER OF AGENCIES TO PROVIDE ASSISTANCE TO NEW ENTERPRISES IN GENERAL AND TO THOSE THAT INVOLVE FOREIGN PRIVATE INVESTMENT IN PARTICULAR. OF SPECIAL ASSISTANCE TO FOREIGN INVESTORS IS THE INDUSTRIAL DEVELOPMENT CENTER OF ECUADOR (CENDES) AND THE NATIONAL PRE-INVESTMENT FUND (FONAPRE), BOTH OF WHICH PROVIDE DIRECT AND INDIRECT ASSISTANCE FOR FEASIBILITY STUDIES. A PRIVATE ORGANIZATION, THE ECUADOREAN FINANCIAL DEVELOPMENT CORPORATION (COFIEC), ALSO HELPS TO PROMOTE AND FINANCE INDUSTRIAL PROJECTS.

HEMENWAY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ANNUAL REPORTS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO03044
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760163-0834
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760411/aaaaaiwb.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 STATE 85733
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2004 by cookms>; APPROVED <07 SEP 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPIC FY 1976 ANNUAL REPORT
TAGS: EINV, EC, OPIC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006